Straight Arrow Financial Group Quarterly Update

The office had a facelift last fall

- The Annex space was turned into a new large conference room, a smaller meeting room & Pete's office (he finally got "the corner office with windows").
- New flooring throughout the office completes the renovation.

If you haven't seen it yet, you're in for a real treat the next time you come in.

Quinn passed his CFP® exam and his securities licensing this year.

We are so proud!

- You will see Quinn in some of your review meetings going forward as he transitions into his Advisor role step by step.
- Please help us congratulate Quinn on his accomplishments!

Dates to keep in mind:

- Medicare Part D Open Enrollment Period – Oct. 15th – Dec. 7th, 2024
- ACA Open Enrollment Period – Nov. 1st – Dec. 15th, 2024 (for coverage beginning Jan 1)
- RMD's (Required Minimum Distributions) need to be taken by Dec. 31st each year

- Confidential Document disposal – bring in that stack of paperwork that you need to dispose of ANYTIME you come to the office or even if you are just driving by. We have a secure bin that we place them in. The bin is emptied and securely shredded monthly.

Commentary

Strong Equity and Bond Market Performance in Q3

Diversified investors were rewarded in Q3 as both equities and bonds rallied in the quarter. Supportive economic data and the anticipation of Fed rate cuts provided tailwinds for the financial markets.

Equities were volatile during the quarter but showed resilience, with performance broadening out by the end of the quarter. The first half of the year was led by performance strength from artificial intelligence and other large cap technology-related stocks. This shifted in Q3 as mid/small caps, cyclicals, international and income-generating assets started to outperform.

Bond markets also showed strength in Q3 as investors positioned for the Federal Reserve to start its federal funds rate-cutting cycle. Interest rates declined across the yield curve and interest rate-sensitive bonds generally outperformed. Credit markets also performed well as yields remained attractive and credit spreads were relatively stable throughout the quarter.

Volatility Spike in August Spooked Investors

For the first half of the year, U.S. equity markets had been on a strong upward trend led by strength in artificial intelligence-related, technology and semiconductor stocks. Volatility was subdued, but markets rarely move upward in a straight line without increased volatility at some point.

In July and August, investors were reminded how quickly market volatility can spike and drive equity markets lower. At the time, investors became very concerned about the potential negative market implications and contagion from the reversal of large investors leveraged short positions on the Japanese yen against the U.S. dollar.

History has shown that significant currency disruptions can quickly lead to challenges in other financial markets, and this time was no different. Over a three-week period from mid-July into early August, the S&P 500 Index was down almost 10%, the technology-heavy NASDAQ 100 Index was down approximately 15% and the Philadelphia Semiconductor Index was down over 25%.[1]

CBOE Volatility Index (VIX)

Source: TradingView.com[2] The CBOE Volatility Index measures the expected volatility of the S&P 500 Index over the next 30-day period.

Longer-term investors who could hold through that short-term volatility have since been rewarded. While July and August were volatile, U.S. equity markets have rallied from the August lows. The S&P 500 Index has already rallied and eclipsed the highs reached prior to the July/August equity market decline.

Highly Anticipated Fed Rate Cut Cycle Begins

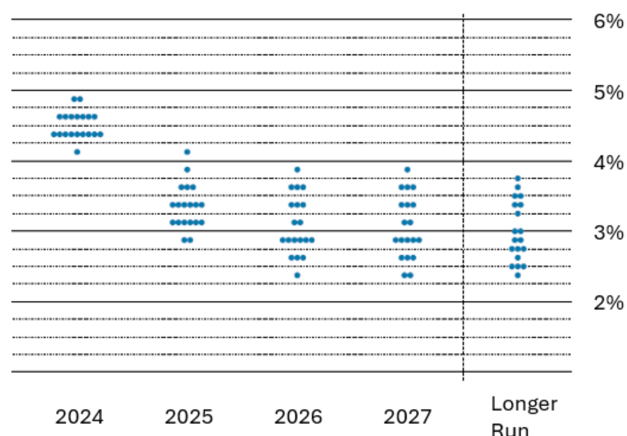
The Federal Reserve has a dual mandate of stable prices with annual inflation targeted at 2%, and strong employment. As inflation is anticipated to continue to decelerate, the Fed appears to be more focused on the unemployment rate and maintaining a stable economy. To try to achieve a soft landing in the economy, the Federal Reserve officially started its rate-cutting cycle.

On September 18, 2024, the U.S. Federal Open Market Committee (FOMC) officially reduced the federal funds rate 50 basis points (0.50%) to a target of 4.75%-5.00%.[3] This rate cut was largely anticipated, but there was some uncertainty about whether the cut was going to be 25 or 50 basis points. Although this is the first step in the rate-cutting cycle, investors will be increasingly focused on determining what the level of interest rates might be in the future.

The Federal Open Market Committee's dot plot indicates what members of the FOMC believe an appropriate fed funds rate should be in the coming years and over the longer term. Based on the September projections, FOMC members forecast that the fed funds rate will continue to decline from current levels with a longer-term average rate between 2.5% and 3.0%. The

dot plot also shows a wide dispersion of long-term rate forecasts by the members, ranging from 2% to 4%. This indicates the persistent uncertainty in long-term forecasts of the U.S. economy.

FOMC Fed Funds Rate Forecasts (Dot Plot)



Source: FOMC Summary of Economic Projections[4]

Interest Rate Volatility Throughout the Cycle

Investors have had to endure significant volatility in the bond markets. Interest rates are heavily driven by inflation and economic growth, and investors have seen significant changes in both over the last five years.

In 2018 and 2019, U.S. real GDP growth was 3.0% and 2.6%, respectively[5], and interest rates across the yield curve were relatively stable. Interest rates started to trend lower as the Federal Reserve began to cut the fed funds rate in 2019.

The surprise pandemic from COVID-19 in 2020 shocked the global economy as economic growth and inflation plummeted. The Federal Reserve quickly implemented policies pushing interest rates lower across the yield curve, resulting in a strong rally for bond markets. The U.S. government also implemented fiscal policies to provide additional support for the economy.

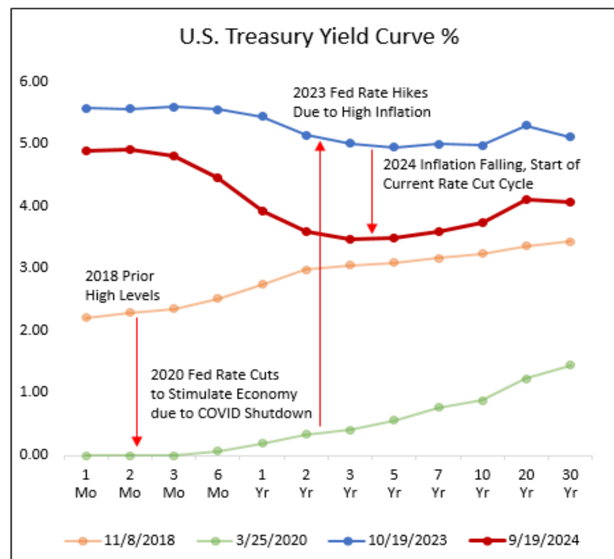
As the economy started to reopen after the COVID shutdown, consumers and businesses had significant pent-up demand and began to spend. While demand was very strong, global supply chains were still struggling to fully get back online, which took a couple of years to do so. In addition, the Russia-Ukraine conflict added to supply chain issues across various commodities.

Generally, when demand is greater than supply, prices move higher. With a mismatch of heavy monetary/fiscal stimulus and significant pent-up global demand being unleashed, up against global supply chains that were struggling and not operating at full capacity, inflation spiked quickly throughout the world.

To fight this much higher and persistent inflation, central banks around the world quickly raised interest rates in 2022 and 2023. This rise in interest rates pushed interest rate-sensitive bond prices lower, which was a negative for bond investors.

Now, as economic demand has slowed and the global supply chains have improved, we are in an environment with a tighter match between demand and supply, and global inflation has continued to decelerate. Central banks around the world are cutting interest rates and appear to be on a path toward "normalized" interest rate levels. This shift in interest rates lower has allowed interest rate-sensitive bond prices to rally, benefiting bond investors again.

Although bond investors have experienced significant volatility over the last five years, reflecting on the potential causes of changes in inflation, interest rates and bond prices may provide additional support to navigate other volatile economic environments that may occur in the future.



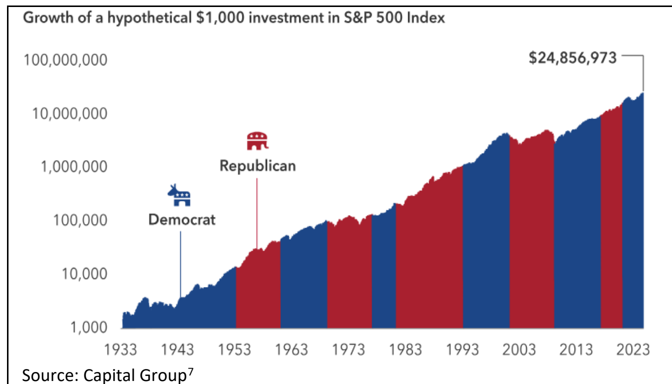
Source: Treasury.gov[6]

Presidential Election Polls Indicate Tight Race

At the end of Q2, it appeared that former President Donald Trump was slightly ahead of President Joe Biden in the presidential election polls. Things changed in July when President Biden announced his withdrawal from the presidential race and endorsed Vice President Kamala Harris as his replacement. Since Vice President Harris accepted the Democratic Party's nomination for president, the presidential election polls now show a much tighter race between Harris and Trump.

Investors will need to wait until after the November elections to determine who will control the White House and Congress. While the results may not make every U.S. *citizen* happy or confident in the outcome, it may be prudent for *investors* to take a longer-term view from an investing perspective.

A simple illustration of long-term investing through different political party leadership is shown in the following graph. The graph shows a hypothetical investment in the S&P 500 Index over time, with an overlay of the political party in presidential power at the time. While historical performance is not a guarantee of future performance, the graph suggests that the U.S. economy and U.S. companies have the potential to be successful over a longer period of time, regardless of the political party in power over a shorter period of time.



Source: Capital Group[7]

After the election, investors may start to focus on the potential for actual policy implementation. One of the biggest sources of political tension may be on the Tax Cuts and Jobs Act of 2017, which has provisions set to expire at the end of 2025. Investors will be paying attention to any potential changes to the existing tax law and how those changes may impact consumer spending and business profitability.

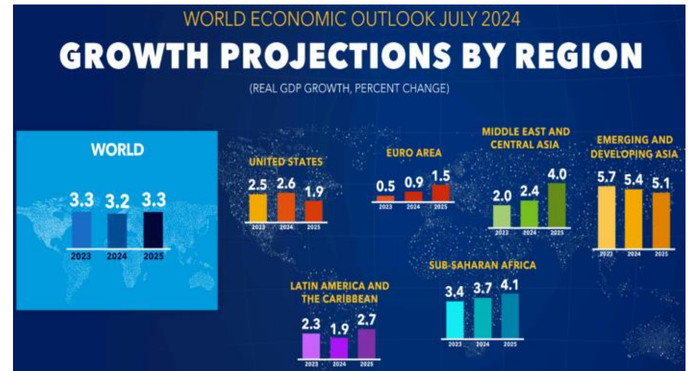
Global Economic Growth Anticipated to Continue

As investors focus on the U.S. election, it is important to be aware of the strength of the broader global economy as well. Strong economic growth outside of the U.S. can have positive effects on the U.S. economy and the financial markets.

According to the International Monetary Fund's (IMF) July 2024 World Economic Outlook, the global economy is anticipated to end 2024 with real GDP growth of 3.2% and grow 3.3% in 2025. Regionally, the IMF forecasts the U.S. economy to slow from 2.6% this year to 1.9% growth next year, while Europe is anticipated to see growth increase from 0.9% to 1.5% next year. According to the July report, the IMF forecasts that emerging markets and other developing economies will show the strongest growth in 2025.[8]

The Chinese government recently announced its plan for large stimulus to support its economy. The Chinese economy is one of the largest economies in the world. If China's economic growth accelerates, this could provide additional economic support for the rest of the world.

Investors will continue to monitor the strength of the global economy and anticipate any potential impacts across various asset classes. If the global economy can maintain stable growth levels, investors may continue to support risk assets going forward.



Source: IMF[8]

Q3 Market Review

Equity Markets

Equity markets rallied in Q3, with a shift in market performance leadership. While the first half of 2024 was driven by the strong performance of artificial intelligence-related and other large cap technology companies, Q3 was led by other areas of the market. Q3 seemed to be an "everything else" rally.

Equity market performance leadership in Q3 included strength across mid and small caps, cyclical companies, international developed markets, China and broader emerging markets. Surprisingly, and potentially tied to declining interest rates, the S&P 500 Utilities sector was the strongest performing sector in Q3, up over 19%. The S&P 500 Technology sector ended relatively flat in the quarter, while the S&P 500 Energy sector was the only negative sector in Q3, down approximately 3%.[1]

The U.S. economy appears to be resilient, although with some deceleration in growth. Interest rates across the yield curve have already come down to relative lows, providing some relief for longer-term borrowers. The Federal Reserve has officially started to cut interest rates, joining other central banks around the world.

The Chinese government recently announced support for significant stimulus to support its economy. Since China has a large impact on the global economy, China-sensitive regions, companies and commodities across Asia, Europe and the U.S. may be positively impacted by Chinese stimulus. Global investors may start to pay closer attention to the stimulus implementation and its potential impact on various asset classes throughout the world.

With interest rates continuing to decline, global economies remaining relatively stable, and China adding stimulus to its economy, fundamentals may be strong enough for investors to continue to support global equity markets going forward.

Bond Markets

Bond markets rallied in Q3, led by the strong performance of the most interest rate-sensitive, longer-term bonds. It was widely anticipated that the Federal Reserve would cut the fed funds rate, but the magnitude was uncertain. In September, the Fed cut the fed funds rate by 50 basis points (0.50%), with forecasts of more interest rate cuts to come.

Credit-sensitive bonds also performed well in the quarter, as the economy remained stable, and credit spreads remained relatively tight. If interest rates continue to decline, this may provide some relief to companies paying higher interest rates on their debt. This could keep investors supporting the credit markets over the short term.

Commodity Markets

Commodity markets were mixed and volatile in Q3. Gold prices continued to show persistent strength higher, with a declining U.S. dollar providing a potential tailwind throughout the quarter.

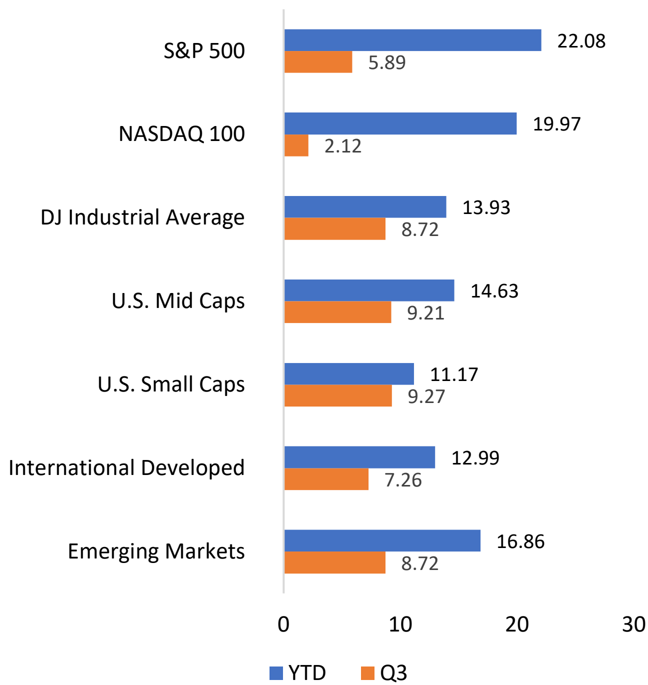
Economically-sensitive industrial metals began the quarter relatively weak until early September when industrial metals started to rally and show strength. The Chinese government's announcement of economic stimulus may have provided additional support to higher prices as investors attempt to anticipate increased demand for industrial metals.

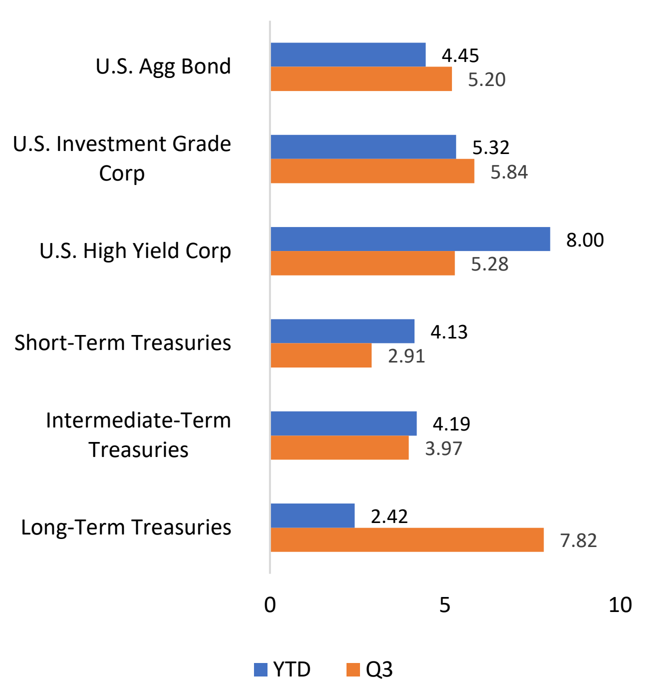
Oil prices trended lower throughout the quarter, with WTI Crude Oil down almost 12% in Q3.[1] Saudi Arabia announced it was abandoning its $100/bbl price target and plans to increase oil production in an attempt to strengthen its market share. This may result in downward pressure on oil prices over the short term, but persistent conflicts in the Middle East are always a wildcard.

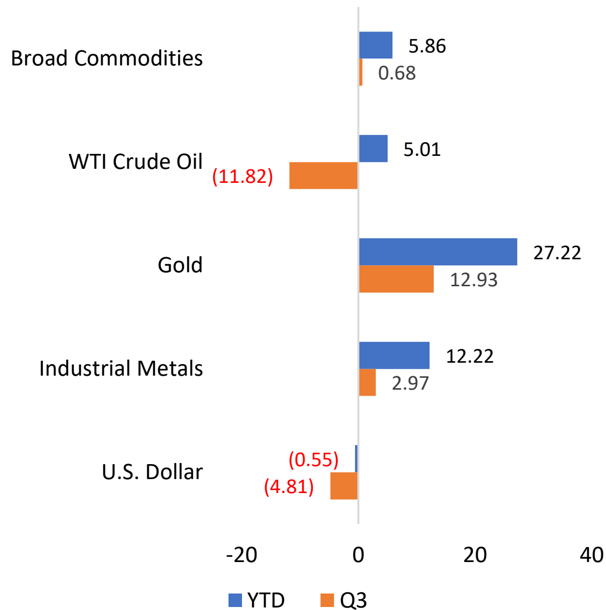
Currency Markets

Q3 showed a significant reversal of U.S. dollar strength that had been experienced in the first half of the year. The reversal of the "yen carry trade" resulted in a quick selloff in the U.S. dollar and a significant rally in the Japanese yen. This U.S. dollar weakness translated into strength in other European and Asian currencies in Q3, adding a potential tailwind for U.S. investors in foreign assets throughout the quarter.

MARKET PERFORMANCE







STRAIGHT ARROW FINANCIAL MANAGED PORTFOLIOS

INCOME PORTFOLIOS

The Income portfolios primarily invest in higher income-generating assets. This can include dividend-paying stocks, option-income strategies, investment grade bonds, high yield bonds, emerging markets debt and real estate securities. The portfolios' risk exposure is not tactically managed, which can result in poor performance in weak U.S. market environments.

Performance Review

The Income portfolios rallied in Q3 as investors appeared to favor income-generating assets over capital appreciation and higher growth-focused investments. The strongest contributors to performance in the quarter included global real estate, international dividend growth and U.S. mid cap dividend strategies. Option income, large cap dividend growth, multi-asset income and closed-end fund strategies also positively contributed to the portfolios in Q3.

Across the fixed income allocation, our positions in interest rate-sensitive core bond managers were strong contributors as interest rates declined and bonds rallied in Q3. Our more tactical and credit-sensitive bond managers also positively contributed as credit markets were relatively stable and higher yields from credit added value.

In our Income – Ultra-Conservative portfolio, the portfolio's structural focus on bonds was beneficial as short- and intermediate-term interest rates declined, pushing bond prices higher throughout the quarter. Our allocation to short-term bond managers and their shorter duration was a bit of a drag, as longer-duration bonds outperformed in Q3.

Positioning

Risk Assets

The Income portfolios are structured to provide diversified exposure across income-generating asset classes and strategies. For equity dividend exposure, we prefer a balance of dividend growth and higher dividend-paying companies, with dedicated exposure across large cap, mid cap and international companies. We continue to gain additional income generation through our exposure to option income strategies, which can often generate higher income than traditional dividends, while maintaining potential upside through equity exposure. We remain allocated to multi-asset income strategies through a tactical income manager and through exposure to diversified closed end funds. We also remain allocated to a multi-asset real estate income manager to try to provide some additional diversification for the portfolios.

Conservative Assets

The Income portfolios remain allocated to actively managed, credit-sensitive bond managers that we believe can generate attractive income. We maintain our exposure across a blend of short-term, intermediate-term core and tactical bond managers. We believe our dedicated exposure to short-term bonds can reduce potential downside from a rising interest rate environment, while providing enough credit exposure to generate attractive income. To balance that exposure, we remain allocated to an intermediate-term, investment grade-focused core bond manager that can be beneficial in a declining interest rate environment. To try to further diversify our bond exposure, we also allocate to tactical bond managers that have the potential to add value in both rising and falling interest rate environments.

TOTAL RETURN PORTFOLIOS

The Total Return portfolios provide long-term diversified exposure across U.S. and international equities, bonds and income-generating assets. The portfolios are structured to participate in the upside of bullish equity and credit markets and provide moderate income generation. The portfolios' risk exposure is not tactically managed and can result in poor performance in weak market environments.

Performance Review

The Total Return portfolios rallied in Q3 as global equities, bonds and multi-asset income strategies rallied. The portfolios' allocation to a global valuation-conscious equity manager and diversified allocations across market cap in international equities were the strongest contributors in the quarter. Exposure to a U.S. large cap dividend growth manager was also a strong positive in Q3. The portfolios' allocations to growth strategies and emerging markets were also additive but these areas generally lagged other areas of the equity markets in Q3. Our dedicated allocation to multi-asset income strategies also added value as income-generating assets were supported in the quarter.

Across the taxable fixed income allocation, our bond manager positions performed well as interest rates declined and bond prices rallied. Bond managers positioned with higher interest rate-sensitivity and credit exposure outperformed those with less interest rate-sensitivity in the quarter. In our Total Return Muni fixed income allocation, bond managers' performance was additive to the portfolios, as interest rate-sensitive municipal bonds rallied. An underweight duration position across muni managers was a slight drag on the portfolios in Q3.

Positioning

Risk Assets

The Total Return portfolios remain allocated across equities and multi-asset income strategies. Within our equity exposure, we maintain exposure across U.S., international developed and emerging markets, with diversification across market cap. We also prefer a diversified approach across growth, core and value equity managers as different investment styles can be complements to each other in different market environments. To attempt to generate additional income for the portfolios, we remain allocated to a tactical multi-asset income manager and diversified closed-end funds. If equity market performance participation can continue to broaden out from just focusing on U.S. large cap growth stocks, we believe the Total Return portfolios' diversification could potentially benefit investors.

Conservative Assets

The Total Return portfolios continue to be allocated across fundamentally-driven active bond managers. We believe that active bond managers have the potential to add value in both weak and strong bond market environments. Across our bond allocation, we maintain a mix of intermediate-term, core, investment grade bond managers, and tactical bond managers that have the flexibility to invest across sectors, maturities and credit quality. We believe this blend of bond managers offers a solid foundation for the conservative assets in our Total Return portfolios.

U.S. CORE PORTFOLIOS

The U.S. Core portfolios provide long-term exposure to core U.S. equity and bond markets. The portfolios may have some exposure to non-core markets, including foreign assets and lower-quality fixed income. The portfolios are structured to participate in the upside of bullish U.S. equity and credit markets. The portfolios' risk exposure is not tactically managed and can result in poor performance in weak U.S. market environments.

Performance Review

The U.S. Core portfolios rallied in Q3 as U.S. equities and bonds rallied. Equity performance broadened out to other parts of the market in the quarter, benefitting the portfolios. The portfolios' exposure to small caps delivered the strongest performance in the quarter, followed by strength in our allocations to a valuation-sensitive equity manager and a dividend growth-focused manager. Our exposures to core U.S. large cap and growth equity managers were also positive contributors, but these areas generally lagged other parts of the market in Q3.

Across the taxable fixed income allocation, our fundamentally-driven bond managers performed well as interest rates declined and bond prices rallied throughout the quarter. Managers with longer-duration positions generally outperformed, and those with overweight credit exposure also added value in Q3. Across the U.S. Core Muni portfolios, the municipal bond managers also performed well as muni bonds rallied. Municipal bond managers that were underweight duration slightly lagged in the quarter.

Positioning

Risk Assets
The U.S. Core portfolios are structured to provide diversified exposure across U.S. equities. The portfolios are allocated across a mix of systematic rules-based, lower expense ratio exchange-traded funds (ETFs) and actively managed, fundamentally-driven, bottom-up stock picking managers. Our exposure remains diversified across growth, core, and value investment styles, and across large, mid and small cap companies. If U.S. equity market performance can broaden out from just focusing on select large cap growth companies, we believe the diversified approach of the U.S. Core portfolios may benefit over the longer term.

Conservative Assets
The U.S. Core portfolios remain allocated across actively managed bond strategies. We continue to believe that active bond managers have the potential to add value across different market environments. We remain positioned in core intermediate-term bond managers that we believe can perform well in flat and declining interest rate environments. To complement that exposure, we also allocate to tactical bond managers that can adjust their exposure across sectors, maturities, duration and credit quality. We believe this diversified approach to our bond allocation can provide strong support for the U.S. Core portfolios over time.

SOURCES

1. Morningstar Direct. Performance provided as total returns. The S&P 500 Top 50 Total Return (TR) Index is a stock market index comprising the 50 largest companies by market capitalization within the S&P 500 Index. The S&P 500 Equal Weight Total Return (TR) Index is a stock market index where each of the 500 companies in the S&P 500 Index is allocated an equal weight. Index component weightings for the S&P 500 Index defined by the holdings of the SPDR® Portfolio S&P 500 ETF (SPLG). Index component weightings for the NASDAQ Index defined by the holdings of the Invesco NASDAQ 100 ETF (QQQM). U.S. Mid Caps is defined by the Russell Mid Cap TR USD index. U.S. Small Caps is defined by the Russell 2000 TR USD index. U.S. Growth is defined by the Russell 3000 Growth TR USD index. U.S. Value is defined by the Russell 3000 Value TR USD index. International Developed is defined by the MSCI EAFE NR USD index. Emerging Markets is defined by the MSCI Emerging Markets NR USD index. U.S. Agg Bond is defined by the Bloomberg U.S. Aggregate Bond TR USD index. U.S. Investment Grade Corp is defined by the Bloomberg U.S. Corporate Investment Grade TR USD Index. U.S. High Yield is defined by the Bloomberg High Yield Corporate TR USD index. Broad Commodities is defined by the Bloomberg Commodity TR USD index. WTI Crude Oil is defined by the Bloomberg Sub WTI Crude Oil TR USD Index. Gold is defined by the Bloomberg Sub Gold TR USD Index. Industrial Metals is defined by the Bloomberg Sub Industrial Metals TR USD Index. Short-Term Treasuries defined by the Bloomberg 1-3 Yr U.S. Treasury TR USD index. Intermediate-Term Treasuries defined by the Bloomberg Intermediate U.S. Treasury TR USD Index. Long-Term Treasuries defined by the Bloomberg Long-Term U.S. Treasury TR USD Index.
2. Tradingview.com Retrieved from https://www.tradingview.com/chart/S5oI8Odc/?symbol=VIX on 9/25/24.
3. Federal Reserve FOMC Statement. September 18, 2024.
4. FOMC Summary of Economic Projections. September 18, 2024.
5. Bureau of Economic Analysis. *National Income and Product Accounts.* Percent Change from Preceding Period in Real Gross Domestic Product.
6. U.S. Department of the Treasury. *Daily Treasury Par Yield Curve Rates.*
7. Capital Group, RIMES, Standard & Poor's. *How elections move markets in 5 charts.* Chart shows the growth of a hypothetical $1,000 investment made on March 4, 1933 (the date of Franklin D. Roosevelt's first inauguration) through June 30, 2024. Dates of party control are based on inauguration dates. Values are based on total returns in USD. Shown on a logarithmic scale. Past results are not predictive of results in future periods. Retrieved from https://www.capitalgroup.com/ria/insights/articles/how-elections-move-markets-in-5.html on 10/2/24.
8. International Monetary Fund. *World Economic Outlook Update July 2024.*

DEFINITIONS

S&P 500® Index: The S&P 500® Index is a market cap-weighted stock market index of 500 companies across several industries. The index is often used as a broad representation of the common stocks of the largest publicly-traded companies in the United States.

S&P 500® Growth Index: The S&P 500® Growth Index is a subset of the S&P 500® Index, consisting of companies that exhibit above average growth based on sales, earnings and momentum.

S&P 500® Value Index: The S&P 500® Growth Index is a subset of the S&P 500® Index, consisting of companies that exhibit value, based on book value, earnings and sales to price.

Dow Jones Industrial Average Index: The Dow Jones Industrial Average Index is a price-weighted stock market index that tracks 30 large, publicly traded companies in the United States.

NASDAQ 100 Index: The NASDAQ 100 Index is a stock index that includes the largest 100 non-financial stocks traded on the Nasdaq exchange.

MSCI EAFE Index: The MSCI EAFE (Europe, Australasia and Far East) Index is a stock market index constructed to measure the performance of large cap and mid cap stocks across developed countries around the world, excluding the U.S. and Canada.

MSCI Emerging Markets Index: The MSCI Emerging Markets Index is a stock market index constructed to measure the performance of large and mid cap stocks across emerging countries around the world.

Emerging Markets: Emerging markets, also known as developing markets or developing countries, refer to countries, nations, and/or regions that are transitioning to more advanced economies. Relative to developed economies, emerging markets often have higher economic growth rates, lower per-capita incomes, higher sociopolitical instability, and less sophisticated financial markets. Investments in emerging markets can often be more volatile than in developed markets due to the potential for greater uncertainty in these markets.

Bloomberg U.S. Aggregate Bond Index: The Bloomberg U.S. Aggregate Bond Index is an unmanaged index that measures investment grade, U.S. dollar-denominated, fixed rate taxable bonds.

Bloomberg U.S. Corporate Investment Grade Bond Index: The Bloomberg U.S. Corporate Investment Grade Bond Index is a broad-based benchmark that measures the performance of investment-grade, fixed-rate, taxable corporate bonds issued by U.S. companies.

High Yield Bonds: High yield bonds refer to securities that are rated below investment grade by one of the established credit agencies (Standard & Poor's, Fitch, Moody's). These securities are often perceived as having greater risk of default.

Bloomberg High Yield Corporate Index: The Bloomberg High Yield Corporate Index measures the performance of U.S. dollar-denominated, high-yield (non-investment grade) corporate bonds.

Bloomberg U.S. Treasury Index: The Bloomberg U.S. Treasury Index measures the performance of U.S. Treasury bonds with maturities of one year or more. It includes fixed-rate, non-convertible, investment-grade securities issued by the U.S. Treasury.

Bloomberg Commodity Index: The Bloomberg Commodity Index is an index that is designed to provide diversified exposure to physical commodities via futures contracts.

Bloomberg Sub WTI Crude Oil Index: The Bloomberg Sub WTI Crude Oil Index is a sub-index of the Bloomberg Commodity Index that specifically tracks the performance of West Texas Intermediate (WTI) crude oil futures. It reflects the returns of WTI crude oil futures contracts traded on the New York Mercantile Exchange (NYMEX), providing a measure of the commodity's market performance.

Bloomberg Sub Gold Index: The Bloomberg Sub Gold Index is a commodity group sub-index of the Bloomberg Commodity Index that is composed of futures contracts on gold. It reflects the return of the gold futures price movements only and is quoted in U.S. dollars.

Bloomberg Sub Industrial Metals Index: The Bloomberg Sub Industrial Metals Index is a sub-index of the Bloomberg Commodity Index that tracks the performance of industrial metals futures contracts, providing a measure of price movements in metals such as aluminum, copper, nickel, and zinc.

Mutual Funds: Mutual funds are generally constructed as a pooled investment vehicle, managed by an investment firm. Mutual funds can be invested in stocks, bonds and other types of investments. Mutual funds are priced at net asset value (NAV) at the end of each trading day.

Exchange Traded Funds: Exchange traded funds (ETFs) are generally constructed to attempt to track the performance of an underlying index. ETFs can be invested across stocks, bonds and other types of investments. ETFs can trade intra-day, similarly to common stocks.

Closed End Funds: Closed end funds (CEFs) are generally constructed as a pooled investment fund, actively managed by an investment management firm. Closed end funds can be invested across stocks, bonds and other types of investments. Closed end funds trade at a market price, which may be at a premium or discount to the net asset value of the underlying fund assets. Closed end funds may utilize leverage, which can potentially increase returns and volatility relative to non-leveraged funds. Closed end funds can trade intra-day, similarly to common stocks.

Risk Assets: Risk assets generally refer to assets that carry a perceived high degree of risk and price volatility. Risk assets can include stocks, lower quality bonds, highly interest rate-sensitive bonds, commodities, currencies and certain alternative strategies.

Conservative Assets: Conservative assets generally refer to assets that carry a perceived low degree of risk and price volatility. Conservative assets can include cash securities and higher quality, less interest rate-sensitive bonds.

Tactical Investing: Tactical or active investing is an investment strategy where investment decisions are driven by opinions based on gathered information. There are different tactical investment styles, including, but not limited to, valuation-sensitive and momentum-driven styles. Tactical investing styles may also differ based on investment time horizons from days, weeks, months or years.

Passive Investing: Passive investing is an investment strategy that generally refers to buy and hold investing. This investment style does not attempt to make changes to portfolio allocations or investments based on opinions and information gathering.

Alternative Strategies: Alternative strategies refer to investments or investment styles that often incorporate non-traditional tactical investing methods, including, but not limited to, technical analysis, shorting, arbitrage, utilizing leverage and short-term tactical trading. Alternative strategies may also be referred to by their investment style categories, including, but not limited to, long/short equity, hedged equity, managed futures, unconstrained, and global macro. Alternative strategies may perform very differently from traditional asset classes, thus investors must be aware of the potential for widely differentiated performance relative to traditional stock and bond markets over shorter periods of time.

Fundamental Analysis: Fundamental analysis refers to making investment decisions based on gathered information, including, but not limited to, economic, sector, industry, company and security research to attempt to forecast future investment performance.

Technical Analysis: Technical analysis generally refers to analyzing an investment's price performance over a specified time period to attempt to predict the future potential performance of that investment. Technical analysis is often utilized in momentum-driven investment styles and may not incorporate fundamental analysis when making investment decisions.

Drawdown: A market drawdown refers to the investment performance from peak-to-trough over a specified time period.

Price-to-Earnings Ratio: The price-to-earnings ratio (P/E ratio) is the ratio of a company's stock price to the company's earnings per share. The P/E ratio is often utilized as a metric in valuing a company.

Price-to-Book Ratio: The price-to-book ratio (P/B ratio) is the ratio of a company's stock price to the company's book value. A company's book value refers to the company's total assets minus its intangible assets and liabilities. A company's book value is listed on its balance sheet and is the total value of the company that shareholders would theoretically receive if the company was liquidated, and liabilities were paid. The P/B ratio is often utilized as a metric in valuing a company.

Duration: Duration is a measure of the sensitivity of a bond's price to a change in interest rates. Generally, the higher the duration of a bond or portfolio, the higher the sensitivity of that bond or portfolio to changes in interest rates.

Credit Risk: Credit risk refers to the risk of default on debt, where the borrower fails to pay, and the lender may lose a portion, or all of the principal lent to the borrower. Generally, the higher the credit risk, the higher the yield and volatility of the security relative to other securities that are believed to have lower credit risk.

Currency Risk: Currency risk is a form of risk that arises from the change in price of one currency against another. Whenever investors or companies have assets or business operations across national borders, they face currency risk if their positions are not hedged. Exposure to foreign currencies can come from direct investing in foreign currencies or from investing in foreign assets (stocks, bonds, real estate, etc.).

IMPORTANT DISCLOSURES

The opinions voiced in this material are for general information only and are not intended to provide or be construed as providing specific investment advice or recommendations for any individual security.

Any economic forecasts set forth in the presentation may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

The term "portfolios" used in this piece is in reference to the Straight Arrow Financial model portfolios. Any reference to performance is based on estimated, unaudited, gross of fee performance of the model portfolios. Model portfolio performance is calculated through Morningstar Direct based on model portfolio holdings. Client accounts assigned a Straight Arrow Financial model portfolio may have positioning and performance that differs from the firm's model portfolios at any given time.

There is no assurance that the techniques and strategies discussed are suitable for all investors or will yield positive outcomes. The purchase of certain securities may be required to affect some of the strategies. Investing in stock includes numerous specific risks including: the fluctuation of dividend, loss of principal and potential illiquidity of the investment in a falling market.

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond and bond mutual fund values and yields will decline as interest rates rise and bonds are subject to availability and change in price. Government bonds and Treasury bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.

Investing in stock includes numerous specific risks including: the fluctuation of dividend, loss of principal, and potential illiquidity of the investment in a falling market.

Asset management does not ensure a profit or protect against loss. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.

The fast price swings in commodities will result in significant volatility in an investor's holdings. Commodities include increased risks, such as political, economic, and currency instability, and may not be suitable for all investors.

Precious metal investing involves greater fluctuation and the potential for losses.

Alternative investments may not be suitable for all investors and should be considered as an investment for the risk capital portion of the investor's portfolio. The strategies employed in the management of alternative investments may accelerate the velocity of potential losses.

International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.

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